





TABLE OF CONTENTS

INTRODUCTION _____	3
1. GENERAL DESCRIPTION _____	4
2. EVALUATION SCOPE _____	5
3. EVALUATION PROCESS _____	6
4. EVALUATION RESULT _____	8
Appendix A: standard checklist (CanopyStyle Verification Framework – Corporate Sourcing) _____	18
Appendix B: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 1 Checklist) _____	48
Appendix C: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 2 Checklist) _____	54
Appendix D: RECOMMENDATIONS FOR IMPROVEMENT _____	61



INTRODUCTION

Preferred by Nature (former name: NEPCon) is an international, non-profit organisation that delivers sustainability services and engages in innovation projects to facilitate the transformation of business practices and consumer behaviour to promote the responsible use of natural resources. Around 1,300 Chain of Custody-certified clients benefit from our over 15 years of experience in providing services to the forest supply chain sectors – including timber processing and manufacturing companies, printing houses, publishers, paper merchants, traders and retailers of all sizes.

Through a well-developed network of regional representatives and contractors, Preferred



1. GENERAL DESCRIPTION

1.1 Company overview



1.3 Company sourcing policy

The Company made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective in 2015), and committed to:



Tangshan Sanyou Group Yuanda Chemical Fibre Co.,Ltd	West of Xiwang RD, Nanpu Development Zone, Tangshan City, Hebei Province, China
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3. EVALUATION PROCESS

3.1 Audit Team

Auditor name(s)	Qualifications
Zhou Peiying	Responsible Sourcing Specialist; CanopyStyle auditor; Qualified LegalSource auditor; Experienced in mainstream sustainability practises including sectors of pulp/9(SSTa)18pe(r)20, tce mber(,)25(tc)25. Ricaepeece-9(S()15(i)22(ncti)6(mbl)25(e)-21(g)22(l)22(ge)-15ia ects, mespcital n, ctiveEsate es ile udrdi i; iternaia -15legialtequmies



3.2 Audit Overview

Note: more details about audit process are provided in a separate audit plan.

3.3 Description of Overall Audit Process

Desktop audit to the corporate office:

The audit officially started in October 2022. The auditor started contacting the Company by requiring relevant documentation based on the latest CanopyStyle audit guidelines and framework.

The Company sent over a nu9(pan) (c)3g re



sourcing requirements from Canopy as required, etc. details please refer to the report findings.

Short notice audit to the viscose mills:

Preferred by Nature announced the short-notice audit on 13 February 2023. The auditor sent out the short-notice audit plan 18 hours prior to the arrival as per CanopyStyle audit requirements.

In the morning of 14th February, the auditor started the onsite audit with an opening meeting with the presence of top management and the key staff in all departments as well as from the production sites. The objective and scope of the audit, agenda, conflict of interest (COI) issues, etc were introduced by the auditor. Also, the management representative gave a brief introduction of the Company and operation activities it involves.

Following the opening meeting, the auditor interviewed the management team on the practices and strategic plan on Canopy policy commitment.

After interviews, related documents were reviewed, such as Wood Fibre Sourcing Policy and operational procedures, purchase documents (invoices, packing list, bill of lading etc.), Risk Assessment Reports, Training Plan and records, communication with the suppliers, etc.

Then, the auditor toured the company's two mills including the production line and warehouse.

In combination with reviewing documents and visiting the company's facilities, the auditor interviewed the staff from various departments: production, warehouse, R&D, HR, supplying/purchasing, labour union, etc.

The closing meeting was held at the office with the presence of the management team. During the meeting the main findings were presented and explained to the Company.

Additional evidence documents again was required for further evaluation.

After one week from the on-site visit, the Company sent over their last batch of documents accordingly.

4. EVALUATION RESULT

4.1 Evaluation Conclusion

Positive Findings:

The Company has developed and has been implementing the sourcing policy in line with CanopyStyle initiative and communicated this policy with all suppliers. A standard operation procedure (SOP) has been developed to implement the Policy as well as monitor on the suppliers' performance. The standard operation procedure is developed by the HQ and shared with the mills.

The Company has also developed capacity as well as organizational structure in implementing the Policy. Top-management team as well as the production site managers are aware of the Policy and could demonstrate how they implement to this commitment.



During the audit period, the Company provided several training sessions to the staff at different levels.

The Supplying Department is responsible for document collection, communication with the suppliers. The pulp suppliers list was made publicly on the Company's official website and the Company has agreed to share the risk assessment of suppliers with the Leaders Group.

The Canopy sourcing policy has been communicated to the suppliers.

The Company has completed the internal risk assessments to its supply chains with the support from ForestMapper, advice note on Ancient & Endangered forests, Dissolving Pulp Classification Tool as well as evidence collected from all suppliers. In the meantime, the suppliers list has been publicly published on the Company's website.

The Company has required its suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector.

The Company has been working with innovative companies and suppliers in developing viscose fiber product by using recycled fibers. Those innovative products have been entering into market.

Areas for Improvement:

The Company communicated the sourcing requirements to all suppliers, however, not all contracts included the requirements on implementation of the Policy. What's more, some of the commitment letters duly signed with suppliers in compliance with the Company's sourcing policy was dated back in 2016, which is too old to be accepted. Some of the contracts were signed with traders instead of the pulp suppliers directly, such as Caima, Sodra, Rayonier.

The Company made significant attempts to collect information from their suppliers on forest or plantation of origin, and during this audit some suppliers still didn't disclose the origins' information, but still at the dissolving pulp location. Therefore, origin of material for these suppliers is only known at a country level, creating a broad sourcing area with potential overlap with ancient and endangered forests.

A vast majority of the pulp suppliers provided evidence such as sustainability reports introducing their efforts in recognizing, respecting and upholding human rights of communities and workers affected by the operations of mills and their supply chain and affiliated companies in the forestry sector. However, no evidence is provided from the forest level supplier, given that forest level suppliers info is not disclosed.

The Company has given preference on FSC intake, however, it should be noted that at
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Note: According to the Company, risk assessment is conducted on a yearly basis (at beginning of each year). Currently the risk assessment results provided during this audit is meant for the year 2021. Risk assessment for 2022 shall be conducted in the beginning of 2023.

Supplier	Company Risk Assessment	Canopy Dissolving Pulp Classification
Södra	Grade A: no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
Caima	Grade A: no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit.
AustoCel Hallein	Grade A: no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit.

Phoenix

Grade B: suppliers that cannot be audited due to geographical location and/or other reasons. Suppliers in this category are subject to a higher level of monitoring and control.



AVN(Birla AV cell) Nackawic Mill		audit.
Rayonier Temiscaming	Grade B: suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.	Located within the Boreal Forest, and IFLs. Further sourcing information and/or auditing required.
Cosmo	Grade A: no sourcing risk	Audit report can be found here: Cosmo CanopyStyle Report.pdf (preferredbynature.org)
ARAUCO	Grade A: no sourcing risk	No sourcing issues identified based on current information and/or CanopyStyle audit. Conflict has been documented between the local Indigenous people (Mapuche) and forestry insio osif1olvMill)5()For4 683.52 .48 3.281e f92.88 6

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risk



	any identified non-conformance and grievance received. **	
	1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it. **	<i>Commitment Met</i>
	1.11 Each production site managers have developed procedures to implement the Policy, when relevant. **	<i>Commitment Met</i>
2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy	2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.	<i>Commitment in Progress</i>
	2.2 An assessment of the MMCF producer supply chain has been completed globally. The producer used the Forest Mapper, advice note on Ancient and Endangered Forests and Dissolving Pulp Classification tool, to make their supply assessment.	<i>Commitment Met</i>
	2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.	<i>Commitment in Progress</i>
	2.4 The assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group.	<i>Commitment in Progress</i>
	2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human rights and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.	<i>Commitment in Progress</i>
	2.6 The MMCF producer publishes its suppliers publicly, or, in the absence of such transparency, is providing its customers with a robust track and trace system that can be used throughout the supply chain up to clothing and textile retailers.	<i>Commitment Met</i>
3. No conversion of natural forest to plantations	3.1 The initial date of the plantation development has been documented and sourcing only occurs in areas identified pre 1994, or post 1994 with a supporting valid FSC certificate. **	<i>Commitment in Progress</i>
4. Since the signature of the Policy, all sourcing from ancient and endangered forests and other controversial	4.1 The MMCF producer has adopted clear definitions for the terms included in their Policy, such as "ancient & endangered forests", "intact forest", "natural forest", "endangered species", "controversial sources", "high conservation value", "high	<i>Commitment Met</i>



sources have been eliminated	carbon area", "peatlands", etc. that are consistent with this document and the forest sourcing policy template. **	
	4.2 All areas meeting the definition of "ancient and endangered forests" have been identified and mapped and suppliers and fibre that have a high risk of being considered controversial sources have been identified and shared with Canopy, with permission to share Leaders Group. **	<i>Commitment in Progress</i>
	4.3 Any raw materials in the MMCF producer's supply chain originating from ancient and endangered forests or other controversial sources, and acquired before the Policy was adopted by the company, such as stocks in log yards, will be documented, identified accordingly and utilised by the mills. **	<i>Commitment Met</i>
	4.4 The MMCF producer is aware of all relevant local, national and international laws and there is no evidence of non-	



<p>supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may excute the conservation planning and FSC certification themselves)</p>	<p>third party, and made public. **</p>	
	<p>6.3 If sourcing from controversial areas, with records of conflict and human rights violation, the MMCF producer requires of its supplier to complete an assessment that includes participatory mapping of lands owned or claimed by indigenous and local communities, identification of areas for protection, areas for conflict resolution and remedy of past harms that involve affected parties, their chosen advisors and relevant stakeholders, have been completed by a credible and mutually agreed third party and made public. **</p>	<p><i>Not Applicable</i></p>
	<p>6.4 The MMCF producer requires of its supplier to have developed a management plan that identifies measures to protect areas identified in large scale scientifically based conservation planning, HCV and HCS assessments with the Free, Prior and Informed Consent of indigenous and local communities whose land or land claims are impacted and with input from credible ENGOS. **</p>	<p><i>Not Applicable</i></p>
	<p>6.5 The MMCF producer requires of its supplier to have developed and implemented a time-bound action plan to actively seek the legal protection of these areas with final land-use decision-makers in a way that meets principles of Free Prior and Informed Consent. **</p>	<p><i>Not Applicable</i></p>

7. The MMCF producer shall require their forest/wood suppliers to recognize, respect and uphold human rights and the rights of communities and workers affected by the operations of their supply chain and affiliated companies in the forestry sector

7.1 The MMCF producer has developed and requires its suppliers to adopt a similar policy, systems and procedures to implement Free, Prior and

Note: This audit focuses on only on forest sourcing and



8. Development of Innovative and Alternative Fiber

8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **

8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF

Commitment Met



	drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **	
12. Pollution Prevention	<p>12.1 * This verification process <u>will not</u> verify the pulp and viscose manufacturing process which can lead to air and water emissions that impact overall environmental quality.</p> <p>Canopy expects MMCF producers to invest in and use the cleanest dissolving pulp and viscose manufacturing technology (i.e. lyocell process), and to implement the ZDHC new viscose guidelines available at https://www.roadmaptozero.com/post/zdhc-man-made-cellulosic-guidelines-released</p>	Not Applicable

4.3 Volume Summaries⁵

Reporting period: 31-Jul-2021 to 31-Jul- 2022

Category	Explanation	Volume (ton)	% Overall
FSC Controlled Wood	Material received with an FSC Controlled Wood claim (either from an FM or COC certified company)	96,770	18.9%
Controlled material	Noncertified material controlled by the company's FSC Due Diligence System		
FSC Mix	Material received with an FSC Mix Credit or FSC Mix % claim from an FSC CoC certified company	52,950	10.3%
FSC 100%	Material received with an FSC 100% claim from an FSC certified company (FM or COC).	500	0.1%
Non-FSC	Material received with no FSC claim.	351,084.47	68.6%
PEFC	Material received with an PEFC claim. Note materials can be received with both a PEFC and FSC claim (no double counting)	10,500	2.1%

Appendix A: standard checklist (CanopyStyle Verification Framework – Corporate Sourcing)

⁵ The volume summary is provided by the organization.



1. Evaluation of Site: Corporate Office

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Zhou Shengwei, Supplying Department
Auditor(s):	Zhou Peiyong
People Interviewed, Titles:	Mr. Yao Zhigao, Vice General Manager, R&D Department Mr. Zhang Jing, Vice Director, HR Department Mr. Ma Hui, Assistant Manager, Supplying Department Mr. Zhou Shengwei, Supplying Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments: The Company's Corporate Office is responsible for development and enforcement of the company sourcing policy and purchasing raw materials for the mill.	

2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Senior executive and key managers make a publicly available commitment to full implementation of the forest sourcing policy.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company made a public commitment to promote sustainable forest management and conserve ancient and endangered forests (effective in 2015). The Fibre Procurement Policy has been updated and signed based on the latest version of the fiber policy issued from Canopy on Oct 2022 and posted on the website: _____ _____ (ts-sanyou.com.cn)</p> <p>The interview with the executive and key managers confirmed senior management team were well informed the definition of ancient and endangered forests and other controversial sources and were fully committed to implement Canopy purchase policy.</p>

<p>implement the Policy. These are available upon request to stakeholders. **</p>	<p><input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company has developed the operating manual for the implementation of Canopy sourcing policy Pulp Procurement Policy Manual, where the suppliers are subjected to the monitoring and evaluation from the company.</p> <p>The operating manual is composed of several segments including: organizational chart for implementing the policy, responsibilities of related personnel, management standard for both dissolving pulp suppliers as well as forests of origin, dissolving pulp supplier evaluation standard, procedures on dealing with complaints.</p> <p>The operating manual is available upon request to the stakeholders.</p>
<p>1.3 The MMCF producer has assigned personnel with responsibility for Policy implementation.**</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Mr. Zhang Dongbin, deputy general manager, has the overall responsibility for sourcing policy implementation. According to the operating manual for the implementation of Canopy sourcing policy_Pulp Procurement Policy Manual, the whole company is encouraged and required to taking part in fulfilling the commitment on the implementation of the fiber procurement policy, among which the Supplying Department, as a major role, is assigned and responsible for the implementation of the policy. The responsibility of implementing the policy is included in Company structure and responsibility division.</p>
<p>1.4 The MMCF producer has developed capacity and organizational structure to implement the Policy.</p>	<p>Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p>



	<p>Description of the finding: The Company's organizational structure for implementation of policy has been shared with the auditor. Please refer to 1.3 for more findings.</p> <p>Interviews found all relevant staff were aware of Canopy policy and their responsibility.</p>
<p>1.5 The MMCF producer has communicated its commitment to implement its Policy to all its suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The interview with the Supplying Department showed that the company had communicated the commitment to all their suppliers via phone calls (Chinese domestic suppliers) as well as via emails (overseas suppliers). Samples of the communications to suppliers were provided to the auditor during the audit.</p>
<p>1.6 The MMCF producer has included requirements to implement the Policy in agreements/contracts with current and future suppliers.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input type="checkbox"/></p>



issue and will revise them with an up-to-



<p>1.8 The MMCF producer has put in place a grievance procedure.</p>	<p>The monitoring results are concluded based on the documents collected from the suppliers as well as other tools such as Forest Mapper and the Dissolving Pulp Classification Tool.</p> <p>Conformance with Indicator:</p> <ul style="list-style-type: none"><input type="checkbox"/> Not Applicable<input checked="" type="checkbox"/> Commitment Met<input type="checkbox"/> Commitment in Progress<input type="checkbox"/> Commitment Not Met<input type="checkbox"/> Insufficient Information Available <p>Description of the finding:</p> <p>The grievance procedure has been r M3tiled into the Pulp Procurement Po35(r l)22(i)22(c)16(y)-25()-378(Man)-26(u)44(a)-16(l)21(.)-406(responsible personnel (designated from the Supplying Department) will take care of as well as docu35(r m)48(e)-21(nt)17()-181(t)-27</p>



	<p>feedback/solution/action plan. The performance of the solution will also be provided, in addition.</p>
<p>1.10 Key managers at each production site are aware of the Policy and demonstrate a similar commitment to implement it.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: Three trainings were conducted within the reporting period on the policy and Canopy requirement before the audit. Training records are provided to the auditor:</p> <ul style="list-style-type: none"> - 14:00-17:00, May 25, 2021, Supplying Department - 14:00-17:00, May 25, 2022, Supplying Department - 14:00-17:00, 1 Jun, 2022, Viscose workshop <p>The interview with the representative from the production department confirms that they are aware of the policy and are implementing it.</p>
<p>1.11 Each production site manager has developed procedures to implement the Policy, when relevant.**</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The management operational manual developed by the group headquarters is shared with the viscose mills.</p> <p>Interview with the key managers confirmed that they are aware of and implementing the management operational manual</p>

Summary:

The Company has developed a fibre sourcing policy with supporting procedures for implementation of Canopy requirements and conducted training. The sourcing policy is made available on the company’s website and communicated to the dissolving pulp suppliers. Capacity and organizational structure were established to ensure the implementation.



2.1 The MMCF producer identifies all raw material inputs by volume (i.e., wood pulp/chips, cotton linters, agricultural residues, recycled cotton pulp) for the previous year. It also includes information about what volumes have FSC claims (i.e., FSC Mix, FSC 100%, FSC controlled wood). Where traceability is known, specify the FSC Certified FMU.

Conformance with Indicator:

- Not Applicable
- Commitment Met
- Commitment in Progress
- Commitment Not Met
- Insufficient Information Available

Description of the finding:

The company has identified all raw material inputs by volume as required. The company provided the sourcing information form which includes information such as suppliers info (including trader), percentahthe

	<p>The risk assessment results for all suppliers are provided to the auditor.</p>
<p>2.3 This assessment identifies all suppliers in the chain that supply the MMCF mills, beginning at the forest or plantation of origin.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company provided a suppliers list. The dissolving pulp mills as well as traders on the supply chain are identified.</p> <p>According to the company assessment results, all suppliers disclosed forest level information except Lenzing Biocel, however, during the documents review, forest level information for the following suppliers was not available to the auditor:</p> <ul style="list-style-type: none"> - Arauco - Stora Enso - Austrocel Hallein (only mentioning 97% sourcing from Austria and Germany) <p>The following suppliers only disclosed the map to a sub-regional level:</p> <ul style="list-style-type: none"> - Rayonier Temiscaming - Rayonier (Jesup Mill and Fernandina Mill) <p>The following suppliers has provided forest level info:</p> <ul style="list-style-type: none"> - Caima - Port Wentworth - Phoenix - Sun Paper (Shandong, Honghe and Laos) <p>For Sun Paper, three mills provided same information on forest of origin near Albany region from Australia, where no ancient and endangered forests as well as IFLs are detected. However, according to the Dissolving Pulp Mill Classification Tool, Sun Paper Laos is graded as: <i>in a region that contains IFL and where deforestation is a threat. Further sourcing information and/or auditing required.</i> Through interviews, the Company responded that they will conduct further verification on this issue, ask for clarification and even pay visit to the mill for verification.</p> <ul style="list-style-type: none"> - Sodra - Fujian Qingshan - Juntai - AVC and AVN <p>For Cosmo, please refer to the latest CanopyStyle audit report for detailed findings in the summary section of this report.</p>



	<p>Since not all supplier disclosed their upper stream supply chain info, this indicator is graded as in progress.</p>
<p>2.4 This assessment is updated every year and shared with Canopy, with permission to share with the Leaders Group</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>According to the Company, the assessment is updated every year. During the audit this time, the evidence and the assessment for this reporting period was provided to the auditor, yet has not been shared with Canopy. The company is also willing to share with the Leaders Group.</p>
<p>2.5 The producer developed additional criteria to complete their risk assessment, to include legality, violation of human risks and risks related to the conversion of natural forests to plantations (1994 date), use of Genetically Modified Organism.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>In the supplier management operation manual developed for evaluating the dissolving pulp supply, these additional criteria are added to complete the</p>



The company provided their suppliers list. The dissolving pulp mills on the supply chain are identified.
However, not all suppliers provide the full and exact forest or plantation of origin.

	Phoenix	Grade B: suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A
	Store Enso	Grade B: suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.
	Port Wentworth	Grade A: no sourcing risk
	AVC(Birla AV cell) Atholville Mill & AVN(Birla AV cell) Nackawic Mill	Grade A: no sourcing risk
	Rayonier Temiscaming	Grade B: suppliers that cannot be identified with sourcing risk and the company determined that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A.
	Cosmo	Grade A: no sourcing risk
	ARAUCO	Grade A: no sourcing risk
	Lenzing Paskov	Grade A: no sourcing risk
	Rayonier Fernandina Mill (F) &	Grade A: no sourcing risk



Rayonier Jesup Mill(J)	
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Shandong
Sun paper
(Yanzhou &
Honghe)

Grade A: no sourcing risk



	<p><input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known. Some suppliers provided their forest level info, while others did not provide it. Detailed assessment please refer to findings on indicator 2.3 & 4.2.</p>
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5.2 The MMCF producer has developed procedure for engaging with suppliers, up to withdrawing from purchase and other agreements in situations where non-conformance is found. **

(Note: This means potential legal and contractual issues associated with withdrawal are identified and addressed.)

Conformance with Indicator:

- Not Applicable
- Commitment Met
- Commitment in Progress
- Commitment Not Met
- Insufficient Information Available

Description of the finding:

The company included the policy and CanopyStyle requirement in the Pulp Procurement Policy Manual.

Based on the procedure, the supplier must comply with Canopy requirement and only supplier graded with non-high risk level will be accepted. The performance of active suppliers has been being monitored annually.

The identified non-compliance will be announced to the suppliers. The Company previously set up the deadline on mitigation actions with supplier as 6 months, and



<p>Summary: The Company's dissolving pulp supplier list was provided and shared. All dissolving pulp mills are known. Some suppliers provided their forest level info. Detailed assessment please refer to findings on indicator 2.3 and 4.2. The Company included the policy and CanopyStyle requirement in the management operational manual regarding if non-conformance is identified.</p>	

<p>6. The MMCF producer welcomes interested stakeholders and Leaders Group observers to verify the implementation. *If sourcing from Priority Ancient and Endangered Forests, the MMCF producer (and/or supplier) is doing so in a manner consistent with the Advice Notes and actively engaging its supplier(s) to undertake large-scale scientifically based conservation planning and seeking FSC forest management certification for wood sourcing. (if, and when the producer is vertically integrated, they may execute the conservation planning and FSC certification themselves)</p>	
Indicators	Findings
<p>6.1 When requested, Canopy, Leaders Group and other stakeholder observers are permitted to participate freely and to report observations during this verification process. **</p>	<p>Conformance with Indicator: <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The management confirmed leader group and other stakeholders are welcome to join the verification as observers in the future, and any observations could be reported to the auditor freely. This indicator is graded as "Not Applicable" due to the fact that no such practice has happened to date.</p>



7.3 The MMCF producer and its suppliers have a grievance mechanism and show responsible handling of complaints and resolution of conflicts in a transparent and accountable manner that is mutually agreed by the parties.

Conformance with Indicator:

- Not Applicable
- Commitment Met
- Commitment in Progress
- Commitment Not Met
- Insufficient Information Available

Description of the finding:

The company is FSC certified and also has a public grievance operation procedure featured for Canopy to

	<p>A majority of the pulp suppliers provided their sustainability report / annual report/ statement in which they introduced their efforts in recognizing and respecting the rights of their workers.</p> <p>Pulp suppliers from China as well as traders from China and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</p> <p>Since not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p> <p>Note: For FSC COC certified companies are required to sign the policy for association is a declaration by the company that they are not involved in directly or indirectly with the activities that can violate workers' rights; for PEFC certificate, it also requires to recognize and respect the rights of the workers.</p>
<p>7.5 The MMCF producer has developed procedures to ensure its forest/wood suppliers uphold the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The company has requested the supplier to comply with CanopyStyle framework requirements. The requirement on all suppliers of viscose pulp raw material shall provide the evidence of established procedures and guarantee to comply with basic principles of International Labour Organization on workers' rights and the workplace has been included in the Operational Manual.</p> <p>All pulp suppliers are either PEFC or FSC certified companies and which could provide a high level of confidence that ILO is upheld via certification requirements.</p> <p>Pulp suppliers from China as well as Chinese Traders and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</p> <p>Since not all suppliers provided certified pulp, this indicator is considered as commitment in progress.</p>
<p>7.6 Recognition and respect for human rights is demonstrated by</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p>



<p>the MMCF producer’s forest/wood suppliers. There is no evidence of continuing to source from a forest/wood supplier that has failed to acknowledge or resolved social conflicts and remedy past or current human rights violations. **</p>	<p> <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>All pulp suppliers are either PEFC or FSC certified companies and which could provide a high level of confidence that recognition and respect for human rights is upheld via certification requirements.</p> <p>Pulp suppliers from China as well as Chinese Traders and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier. Upper stream supply chains between the pulp supplier/trader and forest level are not clear.</p> <p>This indicator is a summary requirement of 7.1-7.5 and thus is being graded as in progress.</p>
<p>Summary:</p> <p>The company requires its suppliers in its sourcing policy to adopt a similar policy, systems and procedures to implement Free, Prior and Informed Consent of indigenous people and local communities.</p> <p>A majority of pulp suppliers provided either statement, latest sustainability report or latest annual report introducing their commitments and/or efforts in recognizing and respecting human rights, community rights, First Nations rights and rights of workers.</p> <p>Pulp suppliers from China as well as traders from China and Ekman also signed Corporate Social Responsibility Commitment letter as well as Corporate Code of Conduct Commitment letter which includes such requirements.</p> <p>No evidence provided from the forest level supplier.</p>	

8. Development of Innovative and Alternative Fiber	
Indicators	Findings
<p>8.1 The MMCF producer has developed and implemented an internal action plan to collaborate with innovative companies and suppliers to explore and encourage the development of new alternative fiber sources that reduce environmental and social impacts, such as agricultural residues and recycled fibers. **</p>	<p>Conformance with Indicator:</p> <p> <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available </p> <p>Description of the finding:</p> <p>1, The Company has been importing from a Swedish company Re:newcell for 100% recycled pulp (composed of pre-consumer</p>



recycled material as in by-products/leftover from spinning and weaving as well as post-consumer recycled material extracted from old clothes, textiles, etc) to create viscose.

The document review revealed that the product shown on the Chinese customs declaration is cotton linter, while the invoice and shipping documents indicated the product traded is circulose pulp (3 batch of shipping documents checked during the audit:

- One indicated circulose pulp only
- One indicated circulose pulp made of 100% recycled post-consumer cotton
- One indicated circulose pulp made of both 100% recycled post-consumer cotton and 100% recycled pre-consumer cotton.

The Company confirmed during the audit that

	<p>mixed fiber from wood chips. The percentage for recycled post-consumer cotton and the wood chip made fiber ranges from:</p> <ul style="list-style-type: none"> - 15% recycled post-consumer cotton VS 85 % mixed fibers - 20% recycled post-consumer cotton VS 80 % mixed fibers - 25% recycled post-consumer cotton VS 75 % mixed fibers - 30% recycled post-consumer cotton VS 70 % mixed fibers - 35% recycled post-consumer cotton VS 65 % mixed fibers - 40% recycled post-consumer cotton VS 60 % mixed fibers - 45% recycled post-consumer cotton VS 55 % mixed fibers - 50% recycled post-consumer cotton VS 50 % mixed fibers <p>The Company has been creating viscose product using this mixed pulp. Trials have been undertaken to increase the portion on recycled post-consumer cotton for the viscose fiber production. Currently, the Company is able to test the recycled post-consumer cotton up to 45%.</p> <p>Below is the fiber produced from the imported pulp from Sodra:</p> 
<p>8.2 The research and development phase for the production of pulp and cellulosic fiber made from alternative fiber sources has been successfully completed and the MMCF producer is entering a commercial scale phase.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p>



- Commitment Not Met
- Insufficient Information Available

Description of the finding:

1. The viscose product using 100% recycled pulp imported from Re:newcell has been entered into a commercial scale (around 1079 tons in 2022) but not in a mass production.
2. The viscose product using mixed pulp imported from Sodra also has been entered into a commercial scale, and also not in a mass production (around 563 tons in 2022). The portion on post-consumer recycled cotton for the product trading on the market is 15% for the moment.



9.2 When prompted, the MMCF producer uses its brand influence or purchasing influence to positively impact conservation and development solutions that have the Free, Prior and Informed Consent of affected indigenous and local communities.**

Conformance with Indicator:

- Not Applicable
- Commitment Met
- Commitment in Progress
- Commitment Not Met
- Insufficient Information Available

Description of the finding:

The company has the commitment on Informed Consent of indigenous people and local communities included in its fiber policy and requires all suppliers to respect and comply with it. But since the company hasn't been prompted to or proactively involve in positively impact conservation and development solutions, this indicator is graded as Not Applicable.

9.3 The MMCF producer publicly supports science-based international and national



	<input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input checked="" type="checkbox"/> Insufficient Information Available Description of the finding: During the audit, no solid evidence provided.
Summary: The company has signed the World's MMCF Producers Call on the Convention of Biological Diversity to support conserving at least 30% of the world's forests by 2030.	

10. Responsible forest management	
Indicators	Findings
10.1 The MMCF producer has defined criteria for responsible forest management, gives a preference for FSC certification and has developed and implemented an action plan to increase FSC intake.**	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input checked="" type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available Description of the finding: <p>The Company had purchased 121,608 tons of FSC certified pulp in 2020, which accounted for 20.44% of the total purchase. And in the year of 2021, the procurement on FSC certified pulp was 168,300 tons, and this accounted for 36.69% of the total purchase.</p> <p>The Company has made the commitment as of required in the Company's sourcing policy to preference on FSC certified materials.</p> <p>However, during the audit, no action plan was provided.</p>
Summary: The Company had purchased 121,608 ton of FSC certified pulp in 2020. And in the year of 2021, the procurement on FSC certified pulp was 168,300 ton. The Company has made the commitment as of required in the Company's sourcing policy to preference on FSC certified materials. However, during the audit, no action plan was provided.	

11. Reduction of Greenhouse Gas (GHG) Footprint by recognizing the importance of forests and peatlands as carbon storehouses	
Indicators	Findings
11.1 The MMCF producer has procedures to evaluate their suppliers' performance in reducing GHG.	Conformance with Indicator: <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met



Preferred

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Insufficient Information Available

Description of the finding:

Commitment in Progress

Commitment Not Met CommitmenM Met

Insufficient Information Available

Description of the finding:

The Company has procedures to require the suppliers to provide evidence of reducing GHG, and this dand a te Pul-22(p[and]-23(Pro)18oc)-21(dum)22(enth)17



	<p>can be also the case with FSC COC CW (DDS) to source from Peatlands and IFLs if the country does not prohibit this by legislation. So the final conclusion is that FSC 100% and FSC CW could be sourced from Peatlands and IFLs if it is not prohibited by the national legislation.</p>
<p>11.3 The MMCF producer can document giving preference to suppliers that are not operating in intact forest landscapes or on drained tropical peatlands and that have identified, withdrawn from and are restoring peatlands and their hydrology. **</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input type="checkbox"/> Commitment Met</p> <p><input checked="" type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>For all new suppliers, evaluations will be conducted before signing contracts. For current valid suppliers, new evaluations will be implemented if there is any change on the sourcing of origins.</p> <p>All suppliers are graded as one of the 4 categories:</p> <ul style="list-style-type: none"> - Grade A: no sourcing risk - Grade B: suppliers that cannot be identified with sourcing risk but are sure that there is no known risk and further info is needed for more clarification. For Grade B suppliers, appropriate measures shall be taken to help them convert into Grade A. - Grade C: suppliers identified with known risk. Action plans will be developed to help them convert into and/or get close to Grade A. - Grade D: suppliers identified harvesting from high profile areas. Cooperation to be put on hold with below considerations: <ul style="list-style-type: none"> ii. Whether collaborate with Canopy and/or any independent local community / stakeholders to develop science-based conservation options iii. Whether implement time-bound action plans which are aiming at addressing and mitigating the identified risks. <p>Based on the supplier management operational manual as well as the supplier evaluation standard, the company will give preference to the FSC certified pulp. However, FSC certified and FSC CW sourced</p>



material still could be sourced from peatlands and IFLs.

Summary:



1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**

audit. Training records were provided for auditor review.

Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.

Conformance with Indicator:

- Not Applicable
- Commitment Met
- Commitment in Progress
- Commitment Not Met
- Insufficient Information Available

Description of the finding:

The Company shared the operating manual for the implementation of Canopy sourcing f tJ1w297cl16(3(o)17(wc)21(f)15(o) ion of t2()28(9(e)-21(w)33920 Tr 0 -15.84 Td[T4t Inf)21(ood)eriting56



	non-certified viscose fiber product, the purchasing invoice to the mill will not carry relevant certificate info. Auditor clarified with the mill that to ensure the purchased material is certified, the invoice from each tier must carry relevant certificate info, despite the lower stream products certificate status.
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2.5 The production site maintains and can verify a summary of annual purchases (or inputs).

Conformance with Indicator:

- Not Applicable
- Commitment Met
-



	<p>Description of the finding: The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A.</p>
<p>Summary: The risk assessments on supply chains for all suppliers were conducted by the corporate office. Detailed findings please refer to indicator 3 under Appendix A.</p>	



as outlined in the [Advice Note](#) and from controversial sources.

- Commitment Not Met
- Insufficient Information Available



5. If suppliers contravene these criteria, the MMCF producer will first engage them to change practices and then re-evaluate its relationship with them	
Indicators	Findings
5.1 Production sites/mills have a documented program for monitoring performance of suppliers which includes procedures for identifying non-conformances to their CanopyStyle policy and sanctions to suppliers in such cases where non-conformances are identified.	<p>Conformance with Indicator:</p> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available
<p>Description of the finding: Supplier performance monitoring program was conducted by the corporate office.</p>	
<p>Summary: Supplier performance monitoring program was conducted by the corporate office.</p>	

Appendix C: standard checklist (CanopyStyle Verification Framework – MMCF (Man-made Cellulosic Fibre) Mill 2 Checklist)

1. Evaluation of Site: Tangshan Shanyou Yuanda Fibre Co.,Ltd

Primary Responsible Person: (Responsible for control system at site(s))	Mr. Zhou Shengwei, Supplying Department
Auditor(s):	Zhou Peiyong
People Interviewed, Titles:	Mr. Zhang Dongbin, Vice General Manager Mr. Dong Zhanshuang, Vice Director, Production Department Mr. Ma Hui, Assistant Manager, Supplying Department Ms. Zhang Nan, Warehouse Mr. Zhou Shengwei, Supplying Department
Brief Overview of Audit Process for this Location:	<i>Please refer to Section 2.3 above for Description of Overall Audit Process.</i>
Comments:	This mill is responsible for viscose staple fibre production.



2. Standard Checklist

1. The MMCF producer has publicly communicated and is implementing the Fiber Sourcing/Forest Policy	
Indicators	Findings
1.1 Key managers at each production site/mill are aware of the Policy and demonstrate a similar commitment to implement it.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The policy was public on the company's website: http://www.ts-sanyou.com.cn/syhx/contents/1027/37903.html</p> <p>The Company organized several training sessions on the policy and Canopy requirements before the audit. Training records were provided for auditor review.</p> <p>Auditor interviewed key managers of this mill who are aware of wood sourcing policy, definition of ancient and endangered forests and controversial sources.</p>
1.2 Each production site's/mill's managers have developed procedures to implement the Policy, when relevant.**	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable</p> <p><input checked="" type="checkbox"/> Commitment Met</p> <p><input type="checkbox"/> Commitment in Progress</p> <p><input type="checkbox"/> Commitment Not Met</p> <p><input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding: The Company shared the operating manual for the</p>



2. The MMCF producer only sources raw material from suppliers that are transparent, traceable and are in conformance with the policy- and all sourcing from the local site is consistent with the corporate desktop audit.

Indicators	Findings
<p>2.1 The production site/mill maintains all <u>purchase and sales</u> documentation related to the wood fiber <u>inputs</u>.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill does not involve in sourcing wood pulp sourcing.</p> <p>The contract and transport documents related to wood fibre inputs are documented at the supplying department. The production workshop and warehouse maintain records of the input volume of pulp from different suppliers.</p>
<p>2.2 The mill/production site maintains all <u>delivery documentation</u> received with the wood fiber <u>inputs</u>.</p>	<p>Conformance with Indicator:</p> <p><input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The mill does not involve in sourcing wood pulp sourcing. Wood fibre inputs related transport documents are documented at the Supplying department in the corporate office.</p>
<p>2.3 All wood fibre input going into the mill is consistent with and identified within the MMCF supply chain assessment provided during the desktop audit.</p>	<p>Conformance with Indicator:</p> <p><input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Commitment Met <input type="checkbox"/> Commitment in Progress <input type="checkbox"/> Commitment Not Met <input type="checkbox"/> Insufficient Information Available</p> <p>Description of the finding:</p> <p>The dissolving pulp going into the mill is consistent with and identified within the Company's supply chain assessment. Yuanda Mill is not responsible to pulp storage.</p>
<p>2.4 When sourcing from certified or verified land origin, the supplier code and claim for the</p>	<p>Conformance with Indicator:</p>



Sanyou HK carries no certificate claim and supplier code while the declaration in the sourcing info form as well as the shipping documents indicated the material is FSC Mix Credit certified as well as FSC Controlled Wood sourced material. The mill explained that usually if the mill produced non-certified viscose fiber product, the purchasing invoice to the mill will not carry relevant certificate info. Auditor clarified with the mill that to ensure the purchased material is certified, the invoice



	<input type="checkbox"/> Insufficient Information Available Description of the finding: The assessment was conducted by the Supplying Department at Corporate office. Detailed findings please refer to indicator 2 and 4 under Appendix A.
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Summary:



Appendix D: RECOMMENDATIONS FOR IMPROVEMENT

The CanopyStyle Initiative has developed these recommendations to provide direction on how companies should address some of the main non-conformities found in this audit report.

These recommendations have been developed by Canopy, presented to the company for feedback, and are provided as an appendix in this audit report for use by the company and auditors, starting immediately after finalization of the audit report.

Recommendations for Tangshan Sanyou's continuous improvement

August 2023

Canopy applauds Tangshan Sanyou for completing its 3rd verification audit, which indicates that the company has conducted an in-depth risk assessment, engaging with suppliers, and working to expand its two commercial scale next generation MMCF products.

The CanopyStyle audit is a learning opportunity, and in the spirit of continuous improvement, additional actions can be taken over time to fully implement Tangshan Sanyou's policy commitments. Based on the review of the 3rd audit report, Canopy recommends the following next steps:

1. Renew out-of-date supplier agreements, and work to eliminate all possible risk from the supply chain.
2. Update the risk assessment to include plantation dates to ensure that no post-1994 plantation fibre is entering the supply chain.
3. Develop an action plan to increase the amount of FSC certified fibre used, with a preference for FSC 100%. Ensure that all bamboo sourced is FSC certified.
4. Continue to engage with suppliers and advocate for conservation solutions in priority forest regions.
5. Adopt best-in-class processing technologies and work with experts in the field to meet new standards for chemical discharge and pollution.

As mentioned in the CanopyStyle audit framework, ongoing audits and/or random site visits will be essential to ensure that Tangshan Sanyou continues to implement their policy and meets the expectations of the CanopyStyle Initiative.

Once again, we congratulate you for the timely completion of the audit and for proactively taking steps to reduce risk in your supply chain. We look forward to working collaboratively with Tangshan Sanyou to address any outstanding issues.